

UNITED STATES BANKRUPTCY COURT DISTRICT OF NEW JERSEY Caption in Compliance with D.N.J. LBR 9004-1(b)	
BROWN RUDNICK LLP Kenneth J. Aulet, Esq. (admitted <i>pro hac vice</i>) Seven Times Square New York, New York 10036 (212) 209-4800 kaulet@brownrudnick.com BROWN RUDNICK LLP Tristan Axelrod, Esq. (admitted <i>pro hac vice</i>) One Financial Center Boston, MA 02111 (617)856-8300 taxelrod@brownrudnick.com <i>General Counsel for the Plan Administrator</i> GENOVA BURNS LLC Daniel M. Stolz, Esq. Donald W. Clarke, Esq. 110 Allen Rd., Suite 304 Basking Ridge, NJ 07920 (973) 230-2095 DStolz@genovaburns.com DClarke@genovaburns.com <i>Local Counsel for the Plan Administrator</i>	HAYNES AND BOONE, LLP Richard S. Kanowitz, Esq. (NJ Bar No. 047911992) Lauren M. Sisson, Esq. (NJ Bar No. 394182022) 30 Rockefeller Plaza, 26th Floor New York, New York 10112 (212) 659-7300 richard.kanowitz@haynesboone.com lauren.sisson@haynesboone.com <i>Attorneys for the Plan Administrator</i>
In re: BLOCKFI INC., <i>et al.</i> , Debtors. ¹	Chapter 11 Case No. 22-19361 (MBK) (Jointly Administered under a Confirmed Plan ²)

**WIND-DOWN DEBTORS' OMNIBUS REPLY IN SUPPORT OF
FIFTEENTH OMNIBUS OBJECTION TO CLAIMS**

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: BlockFi Inc. (0015); BlockFi Trading LLC (2487); BlockFi Lending LLC (5017); BlockFi Wallet LLC (3231); BlockFi Ventures LLC (9937); BlockFi International Ltd. (N/A); BlockFi Investment Products LLC (2422); BlockFi Services, Inc. (5965) and BlockFi Lending II LLC (0154). The location of the Wind-Down Debtors' service address is c/o M3 Partners, 1700 Broadway, 19th Floor, New York, NY 10019.

² On October 3, 2023, the Court entered an order confirming the Third Amended Joint Chapter 11 Plan of BlockFi Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code (Additional Technical Modifications) (the "Plan") [Docket No. 1609].

TO: THE HONORABLE CHIEF JUDGE MICHAEL B. KAPLAN
UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF NEW
JERSEY

BlockFi Inc. and its debtor affiliates (collectively, “BlockFi” or the “Wind-Down Debtors”), as managed by the Plan Administrator in the above-referenced Chapter 11 cases (the “Chapter 11 Cases”), hereby file this *Wind-Down Debtors’ Omnibus Reply in Support of the Fifteenth Omnibus Objection to Claims* (the “Reply”) addressing the responses filed by creditors to the *Wind-Down Debtors’ Fifteenth Omnibus Objection to Claims* (the “15th Objection”) [Docket No. 2070]. In support of the Reply, the Wind-Down Debtors respectfully represent as follows:

Factual Background

1. On January 24, 2024, the Debtors filed the 15th Objection, seeking to disallow and expunge or modify and allow certain proofs of claim as indicated on Schedule 1. Creditors whose claims were contained on Schedule 1 to the 15th Objection were directed to file any responses with Kroll Restructuring LLC (“Kroll”) by 4:00 pm ET on February 20, 2024. Kroll received 83 responses (the “Responses”), some of which were duplicates.

2. Except as noted below, the Responses received fell into four general categories:

- **Response Type 1:** Responses that indicated that the creditor agreed with the treatment of their claim on Schedule 1.
- **Response Type 2:** Responses that contained no substantive request or comment to the 15th Objection or contained questions/requests related to distributions. Many Responses simply attached the documents the creditor was served with by Kroll or pre-petition account statements without notation or comment. Counsel reached out to all creditors with questions but as these responses made no substantive argument they are not addressed in this Reply.
- **Response Type 3:** Responses that disputed the use of petition date coin pricing to determine the dollarized amount of a creditor’s claim.

- **Response Type 4:** Responses that took issue with the dollarization of the claim amounts and/or incorrectly assumed that the Wind-Down Debtors would only be making distributions in cash.

3. The chart below contains a short summary of the Responses received.

Claim #	Response Type	Notes on supporting documentation
21992	2	BIA screenshot
19730	2	Copy of passport
21548	2	BIA screenshot and transaction history
19150	2	Note requesting conversion of BTC to USD
5542	3, 4	Letter requesting distribution in crypto at market value and BIA statement
23329	3	Letter requesting \$300 in damages and March 2023 pricing for claim
24159	2	BIA statement - RESOLVED
16059	2	Letter re: documents creditor needs to file and copy of claim objection
21163	2	Schedule info, proof of claim, and BIA statement - RESOLVED
33911	2	Copy of claim objection
24347	2	Copy of claim objection
25176	2	BIA statement
19287	2	BIA statement
32336	2	BIA statement
24979	3	Letter rejecting the objection to claim
17762	2	BIA statement and screenshot
27004	2	Question about modification and request to redact name of LLC
12911	2	Copy of claim objection
16510	2	Copy of claim objection - RESOLVED
25311	2	Copy of claim objection
24799	2	Tax document, BIA screenshot, and letter requesting clarification
17911	2	Proof of claim and BIA statements - RESOLVED
15995	2	Letter
17748	2	Copy of claim objection and letter re: FTX
20666	2	Copy of claim objection
33244	2	Copy of claim objection
33962	2	Letter requesting transfer of BTC
22466	2	Complete copy of 15 th Omnibus
24566	2	Letter re: claim amount calculations and transaction info - RESOLVED
24419	2	Letter re: claim amount calculations and transaction info - RESOLVED
8697	2	BIA Transaction log
20572	2	BIA statement - RESOLVED
24553	2	BIA screenshot and statement
12770	1	Letter agreeing to proposed modification
17777	2	Letter asking to be paid, BIA statement, complete copy of 15 th Omnibus
16121	2	BIA statement
19428	2	Letter re: valuation, BIA screenshot - RESOLVED

22785	1	Letter agreeing to proposed modification
20543	4	Note requesting BTC/ETH, BIA screenshot
9215	4	Letter requesting crypto distribution
33981	3, 4	Letter re: valuation and BIA screenshot
8180	2	Copy of prior objection to another claim filed by the same creditor
23365	3, 4	Letter requesting payment in kind at current market value
21726	3	Copy of claim objection, letter stating current crypto value
29577	2	BIA statements, letter re: clarification on \$0 claim amount - RESOLVED
23178	2	BIA statements, letter re: clarification on \$0 claim amount - RESOLVED
27478	2	BIA screenshot, transaction report - RESOLVED
22818	4	Letter requesting distributions in crypto, BIA screenshot
24637	4	Letter requesting distribution in crypto, transaction history - RESOLVED
23810	2	BIA screenshot and statement, transaction report - RESOLVED
19230	2	Letter objecting to expungement, copy of claim objection, proof of claim
24568	2	BIA statement
17148	2	Letter with claim calculations, BIA screenshot
12387	1	Letter agreeing with proposed modification, copy of claim objection
10268	2	Letter addressing bases of objection not relevant to this claim and prior objections to multiple proofs of claim - RESOLVED
28660	2	Copy of claim objection
23115	3, 4	Letter requesting payment in kind at current market value, BIA statement
12224	2	BIA screenshot
19564	2	Letter requesting clarification for scheduled interest amounts
15931	2	Copy of proof of claim
25652	4	BIA statement, claim calculations, proof of claim, request for in-kind distribution
18286	2	BIA statement and screenshot
12726	3, 4	Letter requesting payment in full, in kind.
12348	3, 4	Letter requesting in kind distribution at February 2022 prices, chart of BTC prices, LSA, addendum to proof of claim
21898	3	Chart showing coin prices as of 2/18/24, BIA screenshot
18513	3, 4	Letter requesting assets back in kind at current market value
19567	2	Letter stating objection is without merit, proof of claim, BIA statement
19551	2	Letter requesting procedures to withdraw
18521	1	Letter stating he agrees with scheduled amounts, BIA statement
23062	2	Letter disputing objection, BIA statement
15772	3	Letter proposing distribution scheme and disputing petition date pricing
23006	4	Request for in-kind distribution (same creditor w/ multiple proofs of claim)
27832	4	Request for in kind distribution (same creditor w/ multiple proofs of claim)
25662	4	Request for in kind distribution
23982	4	Request for in kind distribution (same creditor w/ multiple proofs of claim)
16759	2	Letter requesting funds, copy of claim objection, tax document
25521	2	Letter addressing bases for objection, transaction report
28363	4	Request for in kind distribution (same creditor w/ multiple proofs of claim)

24500	3, 4	Letter requesting in-kind distribution at current market prices
18808	4	Request for in kind distribution (same creditor w/ multiple proofs of claim)
25406 ³	3, 4	Letter requesting in-kind distribution at current market prices
25279	3, 4	BIA screenshot, letter requesting in full, in-kind distribution
19564	2	Hard copy duplicate of portal submission

4. Upon receiving the Responses, counsel for the Wind-Down Debtors attempted to contact all creditors whose Responses posed questions or appeared to contain misunderstandings about accounts or claims that could be clarified. If Wind-Down Debtors' counsel was able to address and clarify the issues raised by the creditor, the resolution of their Response is noted in the chart above. The Wind-Down Debtors will continue this outreach until the hearing date.

Reply

5. The Wind-Down Debtors filed this 15th Objection to move the claims reconciliation process forward in order to make faster distributions to all creditors who filed proofs of claim related to their estate claims. As an initial matter, none of the Responses filed appear to assert a substantive dispute as to the amount or type of cryptocurrency in the creditor's interest account or retail loan collateral account as of the petition date. Rather, the vast majority of Responses simply provided documentation in the form of BIA screenshots or copies of the claim objection served on the creditor. Some of the Responses appear to take issue with the dollarization of claims using petition date coin pricing and request that distributions be made in-kind, rather than in USD.

6. In the interest of clarity for all creditors, this Reply will address the substantive issues raised by creditors in some of the Responses: claim dollarization at petition date pricing and the form of distributions to creditors.

³ This Response references an agreement with the Plan Administrator to cap this claim at a higher amount than the scheduled amount per the Wind-Down Debtors' books and records. As the Court is aware, the Plan Administrator agreed to higher caps for creditors who requested same in order to facilitate the distribution process, but explicitly reserved the right to object to the claims at a later time.

A. The Bankruptcy Code, Confirmed Chapter 11 Plan, and Equity Require the Wind-Down Debtors to Value Claims in USD as of the Petition Date.

7. Some of the Responses disputed the appropriateness of valuing creditor claims in USD as of the Petition Date, November 28, 2022. Because of the constantly fluctuating prices of cryptocurrency and in order to fairly calculate creditor distributions, scheduled claim amounts have been determined using coin prices as of the petition date. This method of valuation is supported by both the Bankruptcy Code and the confirmed Plan.

8. 11 U.S.C. § 502(b) states that “the court, after notice and a hearing, shall determine the amount of such claim in lawful currency of the United States as of the date of the filing of the petition.” Additionally, Art.VI.F of the confirmed Plan states:

As is required by section 502(b) of the Bankruptcy Code, each Account Holder’s Claim is determined by the fair market value of the Digital Assets (based in United States dollars pursuant to the Digital Assets Conversion Table) held by the Account Holder at the Debtors as of the Petition Date at 11.59 p.m. UTC. This process is generally referred to as a “dollarization.” Dollarization allows the Debtors to put all Account Holders’ Claims on equal footing to calculate recoveries in accordance with the requirements of the Bankruptcy Code.

B. Initial Distributions to Creditors Will Be Made in Cryptocurrency.

9. On January 31, 2024, the Plan Administrator filed a *Status Report to Creditors* [Doc. No. 2098] to apprise creditors that initial distributions were set to begin in February. Consistent with the Plan, which provides that certain customers may receive the Digital Assets Allocation as defined therein, initial distributions on certain Allowed customer claims⁴ against BlockFi Inc, BlockFi Lending LLC, and BlockFi International will be made in cryptocurrency. The Plan Administrator recognizes that the vast majority of customers wish to receive distributions

⁴ Certain Allowed Convenience Class claims will be paid in USD. Distributions on these claims began earlier this month.

in-kind and is working with the remaining BlockFi employees and the legal and financial professionals toward that goal.

10. Until the proofs of claim filed by customers have been reviewed, adjudicated, and then expunged or Allowed those customers who filed proofs of claim will be delayed in receiving distributions on their scheduled claims.

11. As such, the proofs of claim on Schedule 1 to the 15th Objection should be disallowed and expunged or modified and Allowed as indicated.

WHEREFORE, the Wind-Down Debtors respectfully request entry of the Proposed Order on the *Wind-Down Debtors' Fifteenth Omnibus Objection to Claims*.

[remainder of this page intentionally left blank]

Respectfully submitted,

Dated: February 23, 2023

/s/ Daniel M. Stolz

GENOVA BURNS LLC

Daniel M. Stolz, Esq.
Donald W. Clarke, Esq.
110 Allen Rd., Suite 304
Basking Ridge, NJ 07920
(973) 230-2095
DStolz@genovaburns.com
DClarke@genovaburns.com

Local Counsel to the Plan Administrator

HAYNES AND BOONE, LLP

Richard S. Kanowitz, Esq. (NJ Bar No. 047911992)
Lauren M. Sisson, Esq. (NJ Bar No. 394182022)
30 Rockefeller Plaza, 26th Floor
New York, New York 10112
(212) 659-7300
richard.kanowitz@haynesboone.com
lauren.sisson@haynesboone.com

Attorneys for the Plan Administrator

BROWN RUDNICK LLP

Kenneth J. Aulet, Esq. (admitted *pro hac vice*)
Seven Times Square
New York, New York 10036
(212) 209-4800
kaulet@brownrudnick.com

BROWN RUDNICK LLP

Tristan Axelrod, Esq. (admitted *pro hac vice*)
One Financial Center
Boston, MA 02111
(617)856-8300
taxelrod@brownrudnick.com

General Counsel to the Plan Administrator